



## LEGISLATIVE MEMORANDUM

<b>TO:</b>	<b>Honorable Mayor and Members of the City Council</b>
<b>FROM:</b>	<b>Suzanne Sherman, City Manager</b>
<b>THRU:</b>	<b>George Barber, Chief Procurement Officer; Brian Robinson, IT Director</b>
<b>DATE:</b>	<b>April 18, 2024</b>
<b>RE:</b>	<b>Approval and authorization of contract execution with the awarded software provider, Workday, Inc for ERP (Enterprise Resource Planning) Implementation and Advisory Services in accordance with RFP 37-0-2023. (REVISION)</b>

### **SUMMARY:**

#### **Project Background:**

In efforts to modernize operations and enhance efficiency, the City initiated a project to explore the Enterprise Resource Planning (ERP) software market, prompted by an assessment of the existing CentralSquare Naviline legacy software. The City acquired the CentralSquare software in 1996 through a competitive Request for Proposal (RFP) process. In support of this project, Council approved \$2 million of ARPA funding on September 22, 2021, and \$2 million in General Funds on November 17, 2022.

Following a lengthy and thorough proposal review process of the eleven (11) proposals, and following a short-listing of five (5) proposals, for five (5) weeks of demonstrations, the Evaluation Team made their recommendation. During the December 7, 2023, City Council meeting, Council approved the award and authorized staff to enter into negotiations with the highest ranked proposer (Cognizant Technology Solutions US Corporation) in accordance with RFP 37-0-2023 with Consent Agenda Item No. 3.

#### **Negotiations:**

Negotiations with the awarded Firm began December 14, 2023. Following the initial negotiation meeting, eleven (11) meetings have been held between Staff and Cognizant Technology Solutions US Corporation, to discuss/negotiate a litany of contractual and scope related items. Independently, meetings have had a duration of no shorter than one (1) hour and often times lasting three (3) hours. Workday was also often present during these negotiation meetings. The primary negotiation team consisted of the Chief Procurement Officer, IT Director, IT Systems Administrator and Deputy City Manager, as well as the City Manager and City Attorney during key decision points. Additional

support was provided by subject matter experts from IT, Finance, and Human Resources. Finally, agreements were reviewed by the City's ERP consultant from the Government Finance Officers Association (GFOA) and an outside legal firm who specializes in software procurement. Discussion items have included but not limited to Scope of Work (SOW), Contract Term, Contract Price, Implementation Time, and Software Module Revisions. Throughout these negotiation meetings, Staff has also independently met with the software provider (Workday, Inc.) for the ERP System Implementation to address the appropriate software module revisions.

As negotiations are nearing the conclusion, Staff is respectfully requesting to execute the software contract with the proposed software provider (Workday, Inc). As Cognizant Technology Solutions US Corporation is the proposer of the RFP but will not provide the software, the execution of the software contract (Order Form and Master Services Agreement) and implementation fees (Professional Services) must be done separately. The agreement/pricing from the software provider (Workday, Inc.) being presented to City Council encompasses the ten (10) year software costs for the new ERP system that includes but not limited to: Human Resources Management, Payroll, Recruiting, Procurement, Time Tracking, Inventory, and Core Financials. The professional services agreement is being finalized by the proposer/implementer, Cognizant, and Staff intends to present to City Council the professional services fees/agreement in May 2024. The professional services implementation has taken the majority of the Negotiation Team's efforts, as the scope of work document alone was over 100 pages. In future Council meetings the City will bring forward solutions for work order processing and utility billing solutions, all of which operate in the current ERP but will not be provided by Workday.

Staff is seeking the approval and execution of this software agreement before the professional services agreement is executed because Workday, Inc. has proposed a significant cost savings in subscription pricing due to their fiscal quarter ending in April. To fully utilize the proposed savings, Staff is recommending that the City execute the proposed pricing/agreement being provided by the software provider (Workday, Inc). To summarize the benefits obtained through negotiations:

- Workday's proposed budget module as presented during their proposal did not adequately meet the needs of our Finance department. As such, the team negotiated replacing that module with a budget module called Sherpa Budget Solutions, which is a software product designed exclusively for government entities in the United States and Canada. The Sherpa Budget Solutions contract award recommendation will be included with Cognizant's professional services proposal, as Cognizant is also tasked with project management of that implementation.
- Staff negotiated a ten-year contract with Workday, with an annual escalator of 2% over the course of the contract. Although pricing was originally proposed for five years, a ten-year contract provides savings from a longer term and ensures that the City's annual subscription will only increase by 2% a year. Alternatively, the City would be in the position of negotiating

a new contract after five years. Since implementation will take place over approximately 20 months, if the City kept the five-year contract, the City would be negotiating a new contract after only three full years of operation under the new ERP. Considering the City has had their current ERP for twenty-eight years, the partnership is intended to be long term.

- Staff negotiated adding a module for storage of legacy data which interfaces directly with the ERP for the purpose of reporting and retention for no additional cost.
- Staff negotiated a first-year discount for the software on top of the discount originally proposed. Of note, this additional discount expires if the City does not execute the contract before the end of April.
- Tracking of travel expenses was not originally included as part of the proposed software. The City's current process for travel per diem has been identified as a needed improvement but was limited by the functionality of our current ERP, and all travel processing is currently done manually. The City was able to negotiate adding the Expense SKU to the Workday contract at a discount as a way to improve efficiency, interoperability and transparency with the City's travel process.
- Staff negotiated a sizable increase to the user count of the enterprise license, described in the order form as "Full-Service Equivalent (FSE)" or what the City would refer to as Full-time Equivalent or FTE. It is important to note that every employee must have access to the ERP, as it will be used for all human resource and payroll functions, including emergency contacts, benefit enrollment, and timekeeping. The original proposal identified our census count as 807 full time employees and 75 part-time employees; Workday prorates the subscription for part-time employees so that equated to 826 FSEs. Annually, Workday requires a review of the active FSEs using the ERP and provides a rate the City would be charged for any increase beyond our allotted FSEs. To prepare for the growth in the City, the Negotiation Team increased the FSE count from 826 to 1169 for the duration of the contract, with no price increase. As with the year one discount, this additional benefit expires if the City does not execute the contract before the end of April.

Because staff has now reached the end of the professional services negotiation with Cognizant and feels confident in bringing forward their contract to Council in May, and because of the value of the limited time discounts, Staff requests Council approve the City Manager to execute the software contract (Order Form and Master Services Agreement) with Workday Inc.

**REQUESTING DEPARTMENTS:**

IT

Procurement

**FISCAL IMPACT:**

Funding is available in Project 22IT01, Financial System Replacement. The City's intent is to utilize funds from account ARPA 128-3414-559-6407 for the first two years of the subscription agreement (4/25/24 - 4/24/25 and 4/25/25 - 4/24/26), the Workday delivery assurance, and the initial training fees for the first two years, as the ARPA funds must be expended by December 31, 2026. The total for those elements is \$798,877. Thereafter, the City will budget accordingly for the annual subscription fee. By year three, the City will also have a savings from not paying for the annual maintenance of the City's current ERP, CentralSquare. This maintenance cost has increased each year and for Fiscal Year 2024 is \$131,000.

**STAFF RECOMMENDATION:**

Motion to approve and authorize the City Manager to execute with the contract documents for the awarded software provider, Workday, Inc. for ERP (Enterprise Resource Planning) Implementation and Advisory Services in accordance with RFP 37-0-2023.

**ATTACHMENTS:**

1. Final Cost Comparison for Memo
2. Presentation